



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

October 14, 2008

Christian Rergis, Continuous Improvement Manager
Western Region
Sealy, Inc.
4802 West Van Buren Street
Phoenix, AZ 85043

Transmitted electronically.

Dear Mr. Rergis:

RE: FINAL VISIT REPORT for **Sealy, Inc. – ET07-0154**

Previous Monitoring Visit to Review Records:	4/25/08; 12:45 p.m. – 2:30 p.m. Richmond Plant Visit Attendees: Christian Rergis for Sealy and Diane Woodside, ETP Analyst. Ms. Woodside reviewed an adequate sample of records at this visit. No final visit was required.
Action Required:	NO

CONTRACT INFORMATION:

Term of Agreement:	10/03/06 – 10/02/08	Agreement Amount:	\$324,000
Training Start Date:	10/03/06	No. to Retain:	360
Date Training must be Completed:	07/02/08	Range of Hours Per Trainee:	24 - 200
Type of Trainee:	Retrainee	Weighted Ave. Hours Per Trainee:	50
Fixed-Fee Rate:	\$18/class/lab hour		

BACKGROUND:

This project was approved at the September 2006 Panel meeting. Sealy, Inc. (Sealy), started in 1881, manufactures and markets a broad range of mattresses and foundations under the Sealy, Sealy Posturepedic, Stearns & Foster, and Bassett brand names. The company's customers include sleep shops, furniture and department stores, warehouse clubs, and mass merchandisers, as well as the hospitality industry. At the time of project approval, Sealy employed a total of 515 Californians at its two manufacturing facilities located in Richmond and South Gate. Frontline employees at both sites were retrained under this Agreement in lean manufacturing skills necessary to implement a high performance workplace. The goal of the training plan was to improve product quality and service, increase customer responsiveness, eliminate waste, and enhance productivity.

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ETP (04/15/05)

FINAL REPORT SUMMARY:

• HISTORY OF AGREEMENT

The Agreement was executed on 11/13/2006 and training began on 10/3/06 as allowed under the Agreement start date. The ETP on-line system depicts that training was completed on 6/27/08 which allows for the 90-day retention period to be completed within the term ending date of the Agreement of 10/2/08. There were no revisions to this Agreement.

FINAL PROJECT STATS:

Trainees Enrolled in Training	449	Completed Training and Retention at Required Wage:	118
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According to the fiscal close-out invoice documents submitted by Sealy, the company expects to earn a total reimbursement of \$188,208 (58 percent of the original Agreement amount). The closeout invoice has been submitted to ETP's Fiscal Unit and is in the process of being reviewed so this is an estimate of earnings. In a previous meeting, you stated that one challenge to achieving higher earnings under the ETP Agreement was the need to maintain production and meet customer requirements while conducting training on company time. Thus it is difficult to release employees for training on company time when both plants are the two largest manufacturing sites serving the entire Western region and running 24 hours a day.

Note: there were 10-hour training sessions which occurred on one date under this Agreement. A letter explaining how training was conducted for this timeframe is on file in ETP's master file. The analyst agrees with the subcontractor's contention that the training is eligible for reimbursement.

RESPONSES TO FINAL VISIT QUESTIONS:

- What barriers, if any, did your company experience in implementing your ETP project?

None, we experienced a change in management in the middle of the project and we needed assistance to comply with the requirements. This assistance was provided in a timely manner by Diane Woodside who helped us address the issues and comply satisfactorily with the ETP requirements.

- What problems, if any, did your company experience with ETP record keeping?

None, the only problems were internal and were addressed with the help of Diane Woodside. After a few months of starting the project some of the key players on our side left the company and the recordkeeping started to deteriorate. With the timely visits of the ETP personnel we were able to address these issues.

- What assistance could ETP have provided that would improve the process for future Contractors?

Some kind of on-line help (internet tutorials) so in case there are changes in personnel these are transparent to the process.

- How did your company benefit from the ETP training?

We were able to invest in our employees to increase their level of knowledge on how to identify problems and how to solve these. The fundamentals of our "Lean" training are based on the idea that the employees must be empowered to identify and solve problems so we as a company can be more competitive and profitable. Only profitable companies can keep their doors open and offer competitive wage to their employees. Sealy has followed this strategy for the last few years and will continue investing in its employees since the returns are immediate and make us more competitive.

ATTENDANCE ROSTERS:

The ETP analyst performed a review of a 10 percent sample of completers during her visit on 4/25/08. You brought the original rosters up from the Southgate plant for her review. The sample of rosters reviewed met the minimum ETP documentation requirements and the roster information matches the data entered into ETP's on-line system. It appears that classes were under the 1:20 trainer/trainee ratio; that courses that were funded are included in the ETP curriculum; and only eligible trainee data was uploaded into the ETP on-line system.

Please note that the finding that the ETP documentation is in order is based only on the training records reviewed during monitoring visits and represents only a limited sample of the training records completed to date. It is the Sealy's responsibility to ensure that all training records are in compliance with Panel requirements for auditing purposes.

AUDIT:

At this time there are no other actions to be taken by Sealy, Inc. However, please be aware that the Agreement remains subject to an audit. You will be notified in writing if this agreement is selected for an audit that will be conducted either at your site (field audit) or by telephone if selected for a desk audit (or "review"). These notifications will be sent in advance to allow ample preparation time and will include a list of documentation that will be examined by the auditor. A list of the documentation typically examined during an audit will be included along with the Audit Notification and Audit Confirmation letters. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

- Training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment
- Cash receipts to verify receipt and accounting of ETP funds

RECORD RETENTION:

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information in this letter, please contact Diane Woodside, at 650-655-6935 or at dwoodside@etp.ca.gov, within ten (10) working days from the receipt date of this letter.

Sincerely,

A handwritten signature in black ink that reads "Creighton Chan". The signature is fluid and cursive, with the first name "Creighton" being more prominent than the last name "Chan".

Creighton Chan, Manager
San Francisco Bay Area Regional Office

A handwritten signature in black ink that reads "Diane Woodside". The signature is cursive and somewhat stylized, with the first name "Diane" being more prominent than the last name "Woodside".

Diane Woodside, Account Analyst
San Francisco Bay Area Regional Office

cc: Curtis Maszun, General Mgr. Richmond Plant
Rob Bryant, Manager, Southgate Plant
Victoria Clavijo, Southgate Plant
Steve Abbott and Suzanne Greene, IM Group
Brian McMahon, ETP Executive Director
David Guzman, ETP Operations Chief
Chuck Rufo, ETP Audit Manager
Kulbir Mayall, ETP Fiscal Manager
Master File
ETP Project File

Date Mailed to Contractor: 10/29/08